

Adam Smith, 1723–1790

Born: Kircaldy, Scotland, 1723

Education: M.A. degree, University of Glasgow, Scotland, 1740

Independent study, Oxford, 1741–1748

Jobs: Independent study, Edinburgh, 1748–1751

Professor, University of Glasgow, 1751–1764

Tutor for a duke, traveling in Europe, 1764–1766

Independent study, Kircaldy, 1766–1776

Commissioner of Customs, Edinburgh, 1777–1790

Major Publications: *The Theory of Moral Sentiments*, 1759

An Inquiry into the Nature and Causes of the Wealth of Nations, 1776



In 1776, at the age of 53, Adam Smith published an amazing book that would eventually earn him the title “founder of modern economics.” *The Wealth of Nations*—still relevant and widely quoted after 200 years—defined the landscape of economics. Its most revolutionary ideas, illustrated with hundreds of juicy examples, were that people’s real incomes, rather than gold

or silver, are the measure of a society’s wealth and that real incomes would grow through the division of labor, trade, and the use of money.

What personal qualities enabled Smith to write such a classic? What does it take to start a whole new field? Clearly, Smith was bright. After all, he obtained a master’s degree at age 17 at a time when few even went to college. But there were other factors that prepared Smith to write his great work. He spent 11 years of independent study, at Oxford and Edinburgh, before obtaining a job as a philosophy professor at the University of Glasgow, his alma mater. After about a dozen successful years at Glasgow, however, he resigned to follow a career path that would take him back to solitary study. In exchange for tutoring a young duke and traveling around Europe for 2 years, he was given a salary for life. After his tutoring job ended, Smith returned to the small town of his birth, Kircaldy, on the east coast of Scotland, and worked

virtually alone for more than 10 years on economics. Thus, Smith spent nearly 25 years of independent study—observing facts, developing theories, imagining how to express the theories—a process that culminated in the *Wealth of Nations*. His intelligence and his love of independently pursuing ideas day after day, year after year are the sources of the *Wealth of Nations*.

Adam Smith is frequently associated with the idea that self-interest, rather than benevolence, should be the basis of society. But an earlier book by Smith, *The Theory of Moral Sentiments*, focused on people’s compassion for others, and there is a continuity between this earlier book and the *Wealth of Nations*. Smith recognized the need for cooperation, but reasoned that people’s compassion diminishes as they become remote from others in distance, time, or family relationship; and the complexity of a modern economy—the division of labor and the need for resources from all over the world—increases these distances between people, creating the need for alternatives to benevolence. Smith reasoned that self-interest and markets provide that alternative. He wrote that people are

... at all times in need of the co-operation and assistance of great multitudes. ... The woolen coat, for example ... is the produce of the joint labour of ... [t]he shepherd, the sorter of the wool, the wool-comber or carder, the dyer, the scribbler, the spinner, the weaver, the fuller, the dresser, with many others. ... [But man’s] whole life is scarce sufficient to gain the friendship of a few persons ... , and it is in vain for him to expect [help from] benevolence only. ... It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages. [Man is] led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it.

Source of quote: Adam Smith, *Wealth of Nations* (New York: Modern Library, 1994), pp. 12, 15, 485.